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ZNR UUUUU ZZH
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FM AMEMBASSY SAN JOSE
TO RUEHC/SECSTATE WASHDC PRIORITY 9040
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE PRIORITY
RUEHBO/AMEMBASSY BOGOTA PRIORITY 4131
RUEHPE/AMEMBASSY LIMA PRIORITY 1003
RUEHDG/AMEMBASSY SANTO DOMINGO PRIORITY 1566
RHEHNSC/NSC WASHDC PRIORITY

UNCLAS SAN JOSE 001856

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DEPT FOR WHA, WHA/CEN, WHA/EPSC, EEB AND H
PLEASE PASS TO USTR: AMALITO

E.O. 12958: N/A
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SUBJECT: COSTA RICAN REFERENDUM RATIFIES CAFTA

¶1. (SBU) SUMMARY: In their first-ever national referendum, Costa Ricans voted for ratification of CAFTA, 51.6% to 48.4%, a margin of 49,400 votes with 98% of the vote tallied. Turnout (nearly 60%) was well above the threshold to make the referendum binding. The "Yes" vote won in four of seven provinces, and in 48 of 81 cantones nationwide. In general, it was not upper-middle class, university-educated voters that voted against CAFTA in the largest percentages, but voters in poorer, outlying areas. Final results await the mandatory manual count, which should be completed before October 20. Referendum day itself was a typically "Tico" celebration of democracy, with no serious problems observed or reported. Our preliminary assessment suggests that five factors were key to the outcome: 1) the "Yes" advantage in mobilizing their vote; 2) timely and effective USTR and White House statements; 3) the perception that opposition leader Otton Solis had overplayed his hand by drawing U.S. Congress Members into the debate, and by taking a position which might generate friction with the United States; 4) the last-minute media push by the "Yes" campaign (featuring the USG statements); and 5) the generally volatile atmosphere, especially in the Central Valley, which magnified the impact of (in this case, pro-CAFTA) media statements and popular perceptions. Polling data, showing the "Yes" trailing days before the vote, helped galvanize the pro-CAFTA campaign. By approving a free trade agreement via referendum, Costa Rica has made history, sending a clear signal around the region in the process. The hardest challenge remains, however; meeting the March 1, 2008 EIF deadline. END SUMMARY

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YES VOTE WINS IN CELEBRATION OF DEMOCRACY
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¶2. (U) Costa Ricans went to the polls on October 7 in the first-ever national referendum and voted for ratification of CAFTA. According to the Supreme Election Tribunal's (TSE) preliminary results, the "Yes" vote won by 51.6% to 48.4%, a 3.2% margin (approximately 49,400 votes). Turnout (nearly 60%) was lower than in the 2006 presidential elections, but well above the 40% threshold to make the referendum binding. Over 1.57 million voters participated. (For comparison, 2.55 million voters, or 65%, voted in 2006, with the margin of victory for President Oscar Arias 19,169 votes or 1.1%.)

¶3. (U) The "Yes" vote won in four of seven provinces, and in 48 of 81 cantones nationwide. Cartago (home to "No" leader Eugenio Trejos) was the only province in which "Yes" won in all cantones, probably fueled by the support of

export-dependent farmers. This same province also produced the widest "Yes" margin both in actual count (over 25,000 votes) and in relative terms (13%). In Limon province, where Costa Rica's major port depends on trade, the "Yes" carried the day in all cantones but one -- isolated, mostly-indigenous Talamanca. Alajuela produced the widest "No" margin (over 6,100 votes). However, on a percentage basis, Pacific coast Guanacaste posted the widest "No" margin (over 5%). Perez Zeledon, a canton within the province of San Jose and the home of opposition PAC leader Otton Solis, voted strongly "No" (63.5%).

¶4. (U) Referendum day was a typically Tico celebration of democracy. Families voted together after attending Sunday mass, caravans (for both sides) circulated through neighborhoods waving flags and honking horns, and there were no serious problems. Embassy staff reporting from around the Central Valley and participating in the OAS Observer Mission noted no irregularities. The only incident involved flag-burning by an anti-CAFTA group of University of Costa Rica students, after the results were announced election night. Despite the high emotions which sometimes characterized the campaign, by the next day it was calmly back to business as usual around the country.

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POOR STATE, RICH STATE?
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¶5. (U) In general, it was not upper-middle class, university-educated voters that voted against CAFTA in the largest percentages, as suggested in pre-referendum polling, but voters in poorer, outlying areas around the country, especially in Guanacaste, Alajuela and southern Puntarenas provinces. Based on UN poverty data, seven of the 10 poorest cantones voted "No." Not surprisingly, nine of the 10 wealthiest cantones, mostly in the Central Valley around San Jose, voted "Yes."⁸ On the other hand, the strongest "Yes" and "No" percentages were both from rural areas (Siquirres in Limon voted 67.6% yes; San Ramon in Alajuela voted 72.2% no). Of note, the six Pacific Coast cantones most dependent on tourism split, with "Yes" and "No" each winning in three. In contrast to some pre-referendum analysis, higher abstentionism did not always mean a higher "No" vote. Limon had the lowest voter participation rate (45.3%), but the province voted "Yes". Alajuela had a high participation rate (62.6%), but voted "No".

¶6. (U) The results reflect 98% of the votes counted. The final tally awaits the mandatory manual count, which has been proceeding smoothly since starting on October 9, and which should be completed before October 20, according to the TSE. The manual count is not expected to change the preliminary results, and the Comptroller and the Supreme Court's Constitutional Chamber (Sala IV) have endorsed the way the referendum was conducted. Even PAC party leader Solis has conceded publicly that the margin of victory was too large to have been the result of manipulation. (The PAC and other CAFTA opponents have filed a number of procedural complaints with the TSE, however.) Once the results are final, the TSE will return CAFTA-DR to the Asamblea (national legislature) for routine publication in the official Gazeta. Once gazetted, CAFTA becomes law in Costa Rica.

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MULTIPLE FACTORS, INCLUDING USG STATEMENTS, HELP
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¶7. (SBU) What went right? Why did the "Yes" win when the picture (and polling) seemed tilted against CAFTA until the last days before the referendum? Our preliminary assessment, early soundings with some key players on both sides, and their comments to the media, suggest five key factors:

-- First, the "Yes" side had a clear advantage in mobilizing their vote. Campaign Director Alfredo Volio saw this as a decisive comparative advantage. Embassy observers agreed. Although "No" supporters seemed to be present and active in

and near polling stations early in the day, by the afternoon, the clearly-marked "Si" convoys were bringing a steady stream of voters to the polls;

-- Second, the USTR and White House statements, slamming the door on a re-negotiated CAFTA, were timely and effective, according to Volio, GOCR Ambassador to the US Tomas Duenas, local diplomatic colleagues and PAC legislator Francisco Molina, who candidly acknowledged their impact in a meeting with Pol/C on October 12;

-- Third, according to Volio, voters perceived that opposition leader Solis had overplayed his hand by drawing U.S. Congress Members into the Costa Rican debate, and, as suggested by the USG statements, by taking a position which might generate friction with the United States if CAFTA were not ratified, friction the conservative, mostly pro-US Costa Rican electorate did not want to risk;

-- Fourth, the last-minute media push by the "Yes" campaign. Volio believes this was especially effective in the media-saturated Central Valley, where 26 of 31 cantones (and over 518,000 voters) supported ratification. Again, this was helped by the last-minute USG statements. The GOCR generated coverage simply by pointing to, or commenting on the statements. The PAC's Molina, like Solis and other "No" supporters, argue that this coverage and the attendant interviews with GOCR officials violated TSE prohibitions on campaigning in the final 48 hours before the referendum. (COMMENT: The TSE rules were actually fairly loose, permitting media interviews in the days immediately prior to the referendum. Both sides took advantage of this flexibility. END COMMENT.)

-- Fifth, the pre-referendum atmosphere was volatile, as noted by political commentator Constantino Urcuyo and others. This magnified the impact of any development, including of the factors outlined above, although the specific difference they made would be difficult to quantify.

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WHAT ABOUT THE POLLS?

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18. (SBU) Was the polling wrong? What explains a swing from as much as 12 points behind days before the referendum to a 3.2 point victory? Given the clear margin of victory for the "Yes" and Solis, deciding not to challenge the results, the debate over the accuracy of the pre-referendum polling has been far less contentious than the debate over survey data before the 2006 national elections. In an Op-ed on October 10, CID Gallup director Carlos Denton claimed that his data, published in late July (and showing a 44-38 lead for "Yes," with 18% undecided and a 3% margin of error) generally held true throughout the campaign, despite the apparent ups and downs of the final weeks. Some media reports speculated that Costa Ricans, notoriously misleading in their responses to pollsters, especially on highly controversial issues such as CAFTA, may have masked their support for "Yes" to avoid reprisals from more argumentative "No" voters.

19. (SBU) La Nacion Managing Director Alejandro Urbina, who commissioned the series of UNIMER polls which showed a sharp drop for the "Yes" vote before the referendum, stands by his data and analysis. He told Pol/C and PAO on October 5 that the UNIMER data (showing the "Yes" trailing), plus the USTR statement on October 4, plus superior logistical planning and capabilities should galvanize the pro-CAFTA vote and make the difference in the end. Even so, less than 48 hours before the polls opened, Urbina was not certain of the outcome. The internal UNIMER numbers at that time (not released to the media) suggested a "Yes" vote between 42.5 and 49.5% and a "No" vote between 50 and 57%. The key, he said, would lie in the 13% of those surveyed who had consistently not indicated to UNIMER how they would vote.

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COMMENT: SO WHAT DOES ALL THIS MEAN?

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¶10. (SBU) Hyperbole aside, this was an historic event, replete with drama and irony. Costa Rica has now done something no other country has done; approve a free trade agreement by referendum. In so doing, Costa Rica sent a clear signal around the region. It is significant that almost 800,000 voted in favor of CAFTA, an outright majority of those participating, and that turnout was 50% higher than required for the vote to be binding. The drama was in the close count (or the expectation of same) up until the very end. Ticos with us on election night were visibly worried until just before the TSE started to release results. By the time President Arias arrived at the Casa Presidencial to watch the returns, however, the backslapping, applause and broad grins signaled a likely win for "Yes," even though the official TSE announcement was an hour away. The irony came from the pre-referendum visit by two anti-CAFTA Members of Congress, which (unintentionally) generated a series of letters and statements in Washington ultimately helping the "Yes" vote. Now, the hardest challenge remains; to enact the relevant legislation and implement the required regulations to meet the March 1, 2008 EIF deadline (septel).

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